

Message Text

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ACTION EB-07

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FM AMEMBASSY BUCHAREST

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USDOC BEWT FOR BURGESS

E.O. 11652: N/A

TAGS: EEWT, RO

SUBJ: LONG-TERM ECONOMIC COOPERATION AGREEMENT

REF : STATE 167346, STATE 154080

1. AMBASSADOR, EMBOFFS AND US DEL MEMBER BURGESS MET WITH DEPUTY PRIME MINISTER ION PATAN, DEPUTY CHIEF OF GOR DEL STANCA, JVD MINISTRY OF FOREIGN TRADE (MFT) OFFICIALS FOTA AND ACPMM DMLY 7 TO ATTEMPT TO RESOLVE REMAINING ISSUES. PATAN WENT THROUGH ZHCH D5 9* ?4-:(35 ; PROGRESS MADE ON SEVERAL, AND NEW VARIATIONS OF EXISTING PROPOSALS ARE BEING PREPARED FOR THE REST.

2. ARTICLE I (3) -- MFN. GOR HAS ACCEPTED NEARLY ALL OF US PROPOSED LANGUAGE IN BRACKETED TEXT, NOTABLY DROPPING UDSISTENCE UHUN SPECIFIC MENTION OF MFN OR TREATMENT EQUIVALENT TO THIRD COUNTRIES. THE EXPRESSION "LIKE GOODS PRODUCED THERE" CAUSED SOME CONFUSION, SINCE GOR EXPECTS EXPORTS OF COOPERATION ARRANGMENTS TO BE NEW OR AT LEAST DIFFERENT FROM PRESENT ROMANIAN PRODUCTS. WE PROPOSED FORMULATION
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WHICH FOLLOWS SEPTTEL, WHICH AGREEABLE TO PATAN AND FOR WHICH

EMBASSY WOULD LIKE WASHINGTON APPROVAL.

3. ARTICLE II (2) -- SUBPARA ON LICENSES AND TECHNOLOGY. PATAN SAID GOR ACCEPTS SECOND US FORMULATION (WHICH DOES NOT START WITH "AS APPROPRIATE" BUT INCLUDES DIRECT REFERENCE TO LAWS, REGULATIONS, PROCEDURES AND MUTUAL ADVANTAGE) AND WHICH US DEL CONSIDERED THE STRONGER OF THE TWO FORMULATIONS.

4. ARTICLE II (3) -- EXPORT CONTROL. AMBASSADOR PRESENTED LANGUAGE PARA 2 STAF 167346, RECEIVED JUST IN TIME FOR MEETING BC PATAN QUESTIONED REFERENCE TO "INTERNATIONAL UNDERTAKINGS" BUT ULTIMATELY ACCEPTED IT. HE WAS MORE CONCERNED THAT CORE OF SENTENCE WAS "GIVE CONSIDERATION," WHICH HE CONSIDERED LESS POSITIVE IN TONE THAN THE FORMULATION AGREED UPON AT THE COMMUNIQUE OF THE SECOND JOINT COMMISSION MEETING IN WASHINGTON LAST YEAR. EMBASSY COMMENTS AND PROPOSALS WILL FOLLOW SEPTTEL.

5. ARTICLE III (2) -- TARIFF REFUNDS FOR GOODS REEXPORTED. GOR ACCEPTED US PROPOSAL BUCHAREST 2954, PARA 9, APPROVED STATE 137491.

6. ARTICLE IV, SUBPARA 2 -- EXCHANGE RATES. PATAN INSISTED THAT THERE WERE ONLY THREE EXCHANGE RATES RECOGNIZED BY GOR: OFFICIAL RATE (4.97/DOLLAR), TOURIST RATE (12/DOLLAR), AND AVERAGE CUSTOMS VALUATION RATE CHARGED TO GOR ENTERPRISES FOR IMPORTS (20/DOLLAR). ANY OTHER RATIOS OF PRICES IN LEI TO HARD-CURRENCY PRICES WERE NOT REPEAT NOT EXCHANGE RATES, BUT ONLY COEFFICIENTS REFLECTING PRICE DECISIONS BASED ON PRODUCTIVITY, MARKET PRICES, AND OTHER FACTORS, RATHER THAN ORIGINAL LEI PRICES. GOR ENTERPRISES WERE NOT AUTHORIZED TO QUOTE LEI PRICES TO FOREIGN ENTERPRISES WHICH MUST PAY IN HARD CURRENCY; GENERAL TIRE CASE CITED BY US DEL DURING NEGOTIATIONS INVOLVED VIOLATION OF ROMANIAN LAW BY ROMANIAN ENTERPRISE CONCERNED -- ITS QUOTATIONS TO GENERAL TIRE SHOULD HAVE BEEN MADE IN HARD CURRENCY.

7. OFFICIALS INDICATED GOR IS PREPARED TO ACCEPT US LANGUAGE SO LONG AS USG UNDERSTANDS THAT IS LIMITED TO THE THREE EXCHANGE RATES AND DOES NOT INCLUDE COEFFICIENTS RESULTING IN LIMITED OFFICIAL USE

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FROM HARD-CURRENCY PRICING OF DIFFERENT PRODUCTS. AMBASSADOR AGREED BUT ADDED THAT WE NONETHELESS CONSIDER IT USEFUL TO KEEP THE WORDS, IN HOPES THAT IT WOULD AVOID MISUNDERSTANDINGS IN FUTURE CASES. DURING PREPARATORY MEETING EMBOFF MADE CLEAR THAT EMBASSY CONSIDERED THIS PHRASE A BASIS FOR DISCUSSION SHOULD MISUNDERSTANDINGS OF THE GENERAL TIRE TYPE ARISE AGAIN.

8. ANNEX I (1C) JIA HIRING AND COMPENSATING EMPLOYEES. GOR CONTINUES TO INSIST THAT FOREIGN PERSONS AND ENTERPRISES CANNOT HIRE OR COMPENSATE EMPLOYEES DIRECTLY IN ROMANIA. ALTHOUGH IT BECAME EVIDENT IN PREPARATORY MEETING JULY 5 THAT GOR HAD NOT FOUND A FLAT LEGAL PROHIBITION, EMBASSY HAS LOST HOPE THAT WE CAN ESTABLISH THIS PRINCIPLE IN A BLANKET FASHION. ACCORDINGLY, EMBOFF NOTED DURING PREPARATORY MEETING THAT AIM OF ANY PARTNER IN A MAJOR COOPERATION ARRANGEMENT WOULD BE TO HAVE ACCESS TO COMPETENT LOCALLY-HIRED EMPLOYEES TO ASSIST IN FULFILLING ITS OBLIGATIONS TO THE VENTURE. MFT OFFICIALS INSISTED THAT THIS WOULD HAVE TO BE INCLUDED IN, OR AMENDED TO, THE CONTRACT ESTABLISHING THE COOPERATIVE VENTURE, BUT THAT IT COULD BE. THEY PROMISED, AND PATAN REITERATED JULY 7, THAT THEY WILL PREPARE LANGUAGE TO THIS EFFECT. COMMENT: EMBASSY WOULD CONSIDER A REFERENCE TO "SUITABLY QUALIFIED" PERSONNEL TO BE HELPFUL, AND WILL SEEK A FORMULATION WHICH COULD GIVE FIRMS A LEVER FOR NEGOTIATING EFFECTIVE CONTRACTS. END COMMENT.

9. MFT WOULD LIKE TO PUT AGREEMENT IN FINAL FIRM BY SEPTEMBER, WITH A MEETING IN EARLY SEPTEMBER IF NECESSARY, SO THAT AGREEMENT COULD BE SIGNED DURING JOINT COMMISSION MEETING IN BUCHAREST NOVEMBER/DECEMBER. IF WASHINGTON AGENCIES APPROVE, WE WOULD SUGGEST CONTINUING THE CURRENT EXCHANGE OF VIEWS NEXT WEEK ON FIRING LANGUAGE ON MFN, ADDING US COMMENTS OR LANGUAGE ON EXPORT CONTROLS, AND DISCUSSING ROMANIAN VIEWS ON HIRING EMPLOYEES. IF THESE EFFORTS SUCCEED, WE WOULD EXPECT TO REQUEST AUTHORITY FOR AMBASSADOR IN INITIAL AGREEMENT IN SEPTEMBER, AND FOR SECRETARY RICHARDSON TO SIGN AT THE COMMISSION MEETING.
BARNES

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